OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

November 19, 1982

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(With Confidential Attachment)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International Economic Policy (SIG-IEP)

Attached please find the minutes from the SIG-IEP meeting held November 12.

David E. Pickford

David E. Pickford
Executive Secretary

Attachment

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SENIOR INTERDEPARTMENTAL GROUP -- INTERNATIONAL ECONOMIC POLICY

November 12, 1982
3:00 P.M.
Roosevelt Room

Attendees:

Treasury

Secretary Regan (Chairman)
Beryl Sprinkel
Marc Leland

Office of the Vice President

Philip Hughes

State

Kenneth W. Dam
Allen Wallis

Agriculture

Seeley Lodwick

Commerce

Guy Fiske
Lionel Olmer

CIA

Henry Rowen
Maurice Ernst

USTR

Dennis Whitfield

OMB

Alton Keel

CEA

Martin Feldstein

OPD

Edwin Harper
Roger Porter

NSC

Henry Nau
Norman Bailey
William Martin

1. Status of IMF Funding - Under Secretary Sprinkel reported that significant progress has been made since the last SIG-IEP (November 5) in consultations with the G-5 on increasing the funding of the IMF. At this week's twelve hour meeting with the G-5, Dr. Sprinkel released the detailed U.S. proposal which was generally warmly received, although some

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differences still remain. On the quota issue, the United States is holding firm at SDR 85 billion, the UK and Germany are between SDR 85 and 100 billion and Japan and France are at SDR 100 billion. Japan will probably be willing to go lower if its quota share is adjusted upwards to match that of France. There was a general consensus on the U.S. proposed borrowing arrangement in the range of $15 to $20 billion. Except for Japan, there was general agreement on conditions for activating GAB. Problems still remain in reconciling differences between France and Japan on quota share. Japan wishes to have a share at least equal to that of France, while France is reluctant to accept this. The United States and UK are likely to have lower shares with Germany somewhat higher. At the same time that increased funding can be agreed upon, Germany, the United States and Japan want to reduce enlarged access (presently 150 percent for one year, 450 percent for three years) which has contributed to liquidity problems. Such action, if taken concurrently with a decision to increase overall funding, would keep the overall volume of funds at about the same level. The UK would like some absolute increase in that level. France would like to retain the 450 percent over three years as well as the increased funding. All agreed that it would be desirable to move from 85 percent of remuneration toward 100 percent. All agreed the Compensatory Financing Facility (CFF) should be retained at the current absolute limit. Most countries accepted that, while it would be desirable to allow 25 percent SDRs or usable currency for quotas, this might be difficult to sell.

In conclusion, Under Secretry Sprinkel said that he was encouraged with the progress and that he will push for early resolution since IMF financing is a critical factor in building a strategy to handle credit problems. There was unanimous agreement on the need to accelerate the process. The next meeting of the G-5 will be held in December. It is hoped that the Interim Committee can be moved forward to January. The Chairman thanked Dr. Sprinkel for his report and urged him to press ahead.

2. Country Debt Situation - While IMF funding can only contribute a fraction of the amount needed by countries heavily in debt, an IMF loan is important in gaining the confidence of private banks. Unless there is a good IMF program agreed upon, private banks will not be reassured. Given this background, Assistant Secretary Leland then reviewed the status of Latin American and Yugoslavian debt situations. Mexico and Argentina have signed letters of intent with the IMF. Mexico will work out a program to submit to the Board in December. Argentina's case will be discussed in January. Brazil still faces a liquidity problem, but will probably not openly seek IMF or

BIS assistance before December. After six months of negotiations, Costa Rica and the IMF have tentatively reached agreement on a one year, $100 million standby. Approval of the standby will clear the way for rescheduling. Yugoslavia faces a severe liquidity crunch and is doing everything possible to avoid rescheduling. Assistant Secretary Leland indicated that some of the banks were suggesting that the G-5 and other participants in the BIS arrangement for Mexico "step aside," in effect, relaxing their repayment provisions and permitting the banks to take over their security arrangements. The group agreed that this would be unacceptable. Assistant Secretary Leland concluded by saying that Polish debt could be a problem in future Congressional hearings since we are approaching the end of 1982 and have not been fully paid for 1981 debt.

3. East-West Negotiations - Kenneth Dam concluded the meeting by reviewing the status of East-West negotiations with the Allies.

The Chairman reminded the group that all SIG-IEP meetings should be treated as strictly confidential.

EXECUTIVE SECRETARIAT

Routing Slip

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC		✓		
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA		✓		
18	AO/DCI				
19	C/IPD/OIS				
20	NIO/ECON		✓		
21					
22					

SUSPENSE ____________ Date

Remarks:

KW File SIG-IEP 12 Nov 82

Executive Secretary

11/19/82

Date

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